

## Message Text

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PAGE 01 CAIRO 03654 021128Z  
ACTION NEA-10

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FM AMEMBASSY CAIRO  
TO SECSTATE WASHDC 2295

C O N F I D E N T I A L CAIRO 3654

FOR ASST SECRETARY ATHERTON, NEA, AND AID/ASHA FROM  
AMBASSADOR

E.O. 11652: GDS  
TAGS: AGAO  
SUBJECT: AUC BOARD MEETING

1. AUC BOARD ENDED ITS ANNUAL SESSION IN CAIRO LAST WEEK. FROM ALL INDICATIONS, MEETING WAS SUCCESSFUL. SEVERAL BOARD MEMBERS TOLD AMB THAT IT WAS THE FIRST TIME BOARD HAS ACTIVELY SOUGHT TO GRAPPLE WITH SOME OF THE DIFFICULT ISSUES CONFRONTING AUC. ADDITIONALLY, SOME OF NEWER MEMBERS, SUCH AS ARAMCO CHAIRMAN FRANK JUNGERS AND EXXON VP CHARLES HEDLUND, WERE ABLE VOICE THEIR VIEWS ON ADMINISTRATIVE AND FINANCIAL MANAGEMENT MATTERS. BOARD CHAIRMAN LANDON THRONE, WHO HAS IN PAST REPORTEDLY BEEN UNRECEPTIVE TO VIEWS OF MEMBERS, SEEMS TO HAVE RECOGNIZED NEED FOR (A) BROADER BOARD PARTICIPATION IN DECISION MAKING, (B) NEED TO DELEGATE SOME AUTHORITY, (C) NEED FOR MORE CAREFUL BOARD SCRUTINY OF AUC ENDOWMENT FUND AND (D) NEED FOR BETTER COOPERATION BETWEEN BOARD, AUC ADMINISTRATION AND ENDOWMENT FUND. THE BEST OF THE PUDDING IS IN THE EATING, AND WE WILL NOW HAVE TO SEE WHAT COMES OUT OF ALL OF THIS.

2. AMB BRIEFED BOARD MEMBERS ON CURRENT STATE US-  
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EGYPTIAN RELATIONS, SITUATION IN WAKE OF JANUARY RIOTS. AMB ALSO TOOK OPPORTUNITY TO EMPHASIZE TO BOARD THAT AUC'S REPUTATION IN EGYPT HAS BEEN DAMAGED BY THE OBVIOUS BICKERING AMONG AUC ADMINISTRATION, BOARD AND ENDOWMENT FUND AS WELL AS BY REPORTS OF ENDOWMENT FUND IRREGULARITIES. HE URGED BOARD, AUC ADMINISTRATION AND FUND TO WORK TOGETHER MORE EFFECTIVELY AND

EMPHASIZED NEED FOR CLOSER BOARD SUPERVISION OF ENDOWMENT FUND, ESPECIALLY SINCE USG MONIES ARE INVOLVED. HE SUGGESTED BOARD APPOINT A QUALIFIED FINANCIAL EXPERT TO MANAGE THE FUND. AMB ALSO ASSURED BOARD OF CONTINUING USG INTEREST IN THE WELL BEING OF AUC AS AN IMPORTANT AMERICAN ASSE IN EGYPT, AND OF HIS PERSONAL INTEREST IN HELPING AUC O PROSPER. THESE THEMES WERE ALSO MADE IN PRIVATE ALKS WITH BOARD CHAIRMAN THORNE AND SMALLER GROUPS OF TRUSTEES, SUCH AS JUNGERS, HEDLUND AND CHARLIE YOST. BOARD MEMBERS, INDIVIDUALLY AND COLLECTIVELY, EXPRESSED APPRECIATION FOR AMB'S COMMENTS AND SUPPOR. SEVERAL BOARD MEMBERS SAID THEY "HAD GOTTEN THE POINT" AND WOULD DO UTMOST IMPROVE SITUATION. ALL AGREED THAT RAPID COMPLETION OF AID AUDIT IS PREREQUISITE TO ANY EFFORTS REFUBRISH AUC'S IMAGE LOCALLY.

3. EFFORTS FIND NEW PRESIDENT TO REPLACE CECIL BYRD STILL UNSUCCESSFUL. SEARCH COMMITTEE WILL CONTINUE ITS QUEST. (AMB WAS APPROACHED RE AUC PRESIDENCY, BUT DECLINED.) AUC ADMINISTRATION WON IMPORTANT VICTORS BY OBTAINING BOARD AGREEMENT THAT NEW YORK OFFICE SHOULD BE RESPONSIBLE DIRECTLY TO AUC PRESIDENT RATHER THAN TO CHAIRMAN OF BOARD.

4. AS DEPT/AID PERHAPS AWARE, SEVERAL AMERICAN MEMBERS OF ENDOWMENT FUND BOARD HAVE RESIGNED AND NEW MEMBERS HAVE TO BE APPOINTED. AUC LAWYERS HAVE ADVISED THAT, SINCE ENDOWMENT FUND IS NOW AN EGYPTIAN LIMITED

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LIABILITY COMPANY, PRESENT EGYPTIAN LAW REQUIRES ANY NEW BOARD MEMBER BE EGYPTIAN NATIONAL. UNDERSTANDABLY, BOARD IS ANXIOUS TO APPOINT AMERICAN REPLACEMENTS. THIS APPARENTLY REQUIRES CHANGE IN EGYPTIAN LAW OR SOME KIND OF GOE WAIVER. MINPET AHMED HILAL REPORTEDLY TOLD JUNGERS AND HEDLUND THAT ONLY WAY TO OBTAIN WAIVER WOULD BE FOR AMB TO APPROACH PRESIDENT, AND YOST SUBSEQUENTLY TELEPHONE TO REQUEST HELP IN OBTAINING SUCH WAIVER. YOST SENT DOCUMENT, SIGNED BY HIM ON BEHALF OF AUC BOARD, WITH REQUEST AMB OBTAIN GOE CONCURRENCE AND SIGNATURE. AMB HAS DISCUSSED MATTER WITH FAHMY, WHO HAS ON INFORMAL AND PERSONAL BASIS AGREED TO HAVE MFA LAWYERSTUDY LEGAL ASPECTS AND OFFER COUNSEL ON HOW MATTER MIGHT BEST BE HANDLED.

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